

## ABOUT SOCIAL SECURITY

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**Q: How many people does Social Security cover? How much is the average benefit?**

**A:** Social Security is the foundation of a secure retirement. In 2005, more than 47 million Americans will receive nearly \$510 billion in benefits. The average benefit for a retired worker is \$950 a month. Nine out of ten individuals age 65 and older receive Social Security benefits. For nearly two-thirds of retirees, Social Security provides more than half their income. While some retirees have pensions or savings, Social Security is the only guaranteed retirement income seniors have. In addition to providing retirement benefits, Social Security is a crucial life and disability insurance program. More than 6 million disabled workers, nearly 5 million widows, and 4 million children receive Social Security benefits.

**Q: How is Social Security funded?**

**A:** Social Security is based on the contributions of millions of workers in order to ensure that every American can achieve retirement security. It is financed through a dedicated payroll tax. Employers and employees each pay 6.2 percent of wages up to the taxable maximum of \$87,900 (in 2004). Social Security also receives revenue from the income taxation of Social Security benefits, and interest earnings on its reserves.

**Q: What does it mean when you say Social Security is a guaranteed, defined benefit?**

**A:** It means that workers are guaranteed a certain level of retirement benefits. The benefits are linked to the worker's earnings level, so it provides continuity of income in retirement. Social Security's benefits keep pace with inflation and last as long as the person lives. They can't be depleted like a savings account can. And they can't lose value, such as a 401(k) invested in the stock market. And unlike any private pension or savings plan, Social Security also pays benefits to qualified family members, without reducing the amount going to the worker.

**Q: What is the Social Security Trust Fund?**

**A:** The Social Security Trust Fund is a financial account in the U.S. Treasury. Social Security taxes are deposited in this account, and Social Security benefits are paid from it. Also, the Social Security Trust Fund holds any funds not needed in the current year to pay benefits and invests them in interest-earning Treasury bonds that are guaranteed by the U.S. Government.

**Q: Is the Social Security Trust Fund really going bankrupt?**

**A:** No. Social Security faces a challenge, not a crisis. Social Security is solvent for nearly 50 years, and even after that it will still be able to pay 80 percent of benefits. Learn more at: <http://www.cbo.gov/showdoc.cfm?index=5530&sequence=2>

**Q: Which one of the Republican proposals to overhaul Social Security will cut benefits?**

**A:** All of them. President Bush's Commission came up with three different proposals to privatize Social Security, and every one of these proposals would cut Social Security's guaranteed benefits. In fact, even people who don't choose to enroll in the new individual accounts will have their benefits cut.

**Q: How are the private accounts Republicans are proposing different than a 401(k)?**

**A:** A 401(k) does not reduce the amount of Social Security benefits you are entitled to receive. In other words, 401(k)s supplement Social Security rather than replacing it, as the Republican proposals would. Privatization would not allow that - investment choices and flexibility would be tightly controlled by the federal government. Finally, a 401(k) also allows retirees to keep control of their investments beyond their retirement date. The “private accounts” proposed by Republicans would require workers to convert all or most of their "private retirement accounts" into an annuity at retirement, which means they would have to turn over their account balances to an insurance company, and couldn't leave it to their heirs. In addition, forcing individuals to annuitize means that, during a downturn in the market, seniors would either have to postpone their retirement or face a significant drop in retirement income.

**Q: Which one of the Republican proposals will extend the life of the Social Security Trust Fund?**

**A:** None. The Republican proposals to overhaul Social Security actually move the date of Trust Fund insolvency up by over 20 years, to 2021. That's because they take approximately \$2 trillion out of the Social Security Trust Fund and move hard earned retirement contributions into the stock market.

**Q: I want a pension benefit that I can take from job to job, so I get credit for all the years I've worked, even if I've worked in a lot of different places. When I finally retire, I'd like to know that the benefit will last the rest of my life and that my monthly check will keep pace with increasing prices. I would also like an insurance plan that covers me if I get hurt or sick and I can't work, or if my spouse dies. Is there a plan like that out there?**

**A:** Yes. It's called Social Security.